LEKWA TEEMANE LOCAL MUNICIPALITY
Annual Financial Statements
for the year ended 30 June 2010

LEKWA TEEMANE LOCAL MUNICIPALITY

(Dermacation number NW396)
Annual Financial Statements for the year ended 30 June 2010

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Provision of municipal services in terms of the Municipal Finance Management Act No.56 of 2003 and Municipal Systems Act No..32 of 2000.
Councillors	
Mayor	Clr. R. M, Makodi
Councillors	Clr. K. J. Bojong
	Clr. A. Buys
	Clr. K. L. Duiker
	Clr. K. M. Segalo
	Clr. G. Pencil
	Clr. K. L. Modise
	Clr. M. P. Letebele
	Clr. D. J. Muller
	Clr. I. M. Mabala
	Clr. W. B. Percival
Grading of local authority	Grade 5
Accounting Officer	Mr. M. A. Makuapane
Chief Finance Officer (CFO)	Mr. K. T. Makhale
Registered office	Cnr Robyn & Dirkie Uys Street Christiana 2680
Business address	Cnr Robyn & Dirkie Uys Street Christiana 2680
Postal address	P. O. Box 13 Christiana 2680
Bankers	Absa Bank
Auditors	Auditor - General Registered Auditors
Attorneys	De Klerk and Patners Mathews and Partners Van der Hoff and Partners

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
FMG	Finance Management Grant
MSIG	Municipcal System Improvement Grant

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is dependent on the five services that they generate revenue from namely rates, water, electricty, refuse and sanitation and only about 20% of equitable share. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 55.

The annual financial statements set out on pages s 5 to 46, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2010 and were signed on its behalf by:

Mr. M. A. Makuapane
Accounting Officer

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2010.

Audit committee members and number of meetings held

The shared audit committee (at the district level) consists of seven members and should meet on a regularly per annum as per its approved terms of reference.

Audit committee responsibility

We report that we have adopted appropriate formal terms of reference in our charter in line with the requirements of section 166(2)(a) of the MFMA. We further report that we have conducted our affairs in compliance with this charter.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management letter of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations there from. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

We are satisfied with the content and quality of monthly and quarterly reports prepared and issued by the auditors of the municipality during the year under review.

Evaluation of annual financial statements

We have:

- Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General.
- Reviewed the Auditor-General of South Africa's management letter and management's response thereto;
- Reviewed changes in accounting policies and practices;
- Reviewed the entities compliance with legal and regulatory provisions;
- Reviewed significant adjustments resulting from the audit.

We concur with and accept the Auditor-General of South Africa's report the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

We are satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

We have met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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Chairperson of the Audit Committee

Date: ______________________

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2010.

1. Review of activities

Main business and operations

The municipality is engaged in the provision of municipal services in terms of the Municipal Finance Management Act No. 56 of 2003 and Municipal Systems Act No. 32 of 2000 and operates principally in South Africa.

The operating results for the year were not satisfactory for the following reasons:

Net deficit of the municipality increased to R 24,453,591 (2009: loss R 37,861,300).

Low rate of payment by consumer debtors (for the various services rendered to them), especially for old balances. For the current financial period, the rate of collection averaged 49.50% of the current bills, whilst for old bills (arrears) it was far less. This is putting pressure on the municpality's cash flow.

2. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

3. Accounting policies

The annual financial statements prepared in accordance with the GRAP Reporting Framework, which includes Standards of Generally Recognised Accounting Practices (GRAP), any interpretations of such Statements issued by the Accounting Practices Board, as may be prescribed by National Treasury.

4. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr. M. A. Makuapane	South African

5. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a regular basis.

Council

The Council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Remuneration

The upper limits of the remuneration of the councillors are determined in terms of the Government Notices issued by the Minister of Co-operative Governance and Traditional Affairs, as required of him by the Remuneration of Public Office Bearers Act No. 20 of 1998.

Committee meetings

Accounting Officer's Report

The accounting officer meets on a regular basis with the Mayor and Chairpersons of portfolio committees. The accounting officer schedules to meet at least - times per annum.

Porfolio Committee Chairpersons have access to all members of management (Section 57 Directors) of the municipality.

Audit and risk committee

The Chairperson of the audit committee is an independent audit committee member. The committee meet on a regular basis during the financial year to review matters necessary to fulfil its role. .

In terms of Section 166 of the Municipal Finance Management Act, Dr. Ruth Mompati District Municipality, as the District Municpality, must appoint members of the Audit Committee. Thus more information with regards to the composition of the shared Audit Committee, it operations and sub-comittees will be covered in the district municipality's annual financial statements.

6. Non compliance with applicable legislation

During the period under review, there were no violations of the various legislations governing our operations, which warranty disclosure. This excludes violations relating to fruitless and wastefull expenditure, disclosed in the notes to the financial statements.

LEKWA TEEMANE LOCAL MUNICIPALITY

(Dermacation number NW396)
Annual Financial Statements for the year ended 30 June 2010

Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
ASSETS			
Current Assets			
Inventories	5	764,499	699,521
Trade and other receivables	6	9,798,777	9,240,911
VAT receivable	7	330,542	71,895
Consumer debtors	8	58,374,603	63,146,976
Money Market Investments		1,302,214	1,229,983
Cash and cash equivalents	9	1,834,585	7,385
		72,405,220	**74,396,671**
Non-Current Assets			
Investment property	2	502,883	502,883
Property, plant and equipment	3	48,276,715	47,124,061
		48,779,598	**47,626,944**
Non-current assets held for sale	10	181,546	-
TOTAL ASSETS		**121,366,364**	**122,023,615**
LIABILITIES			
Current Liabilities			
Other Interest Bearing Liabilities	13	14,940,879	10,752,655
Finance lease obligation	14	16,634	30,681
Trade and other payables	17	77,975,981	64,689,268
Consumer deposits	18	948,655	957,030
Unspent conditional grants	15	9,068,127	1,613,547
Provisions	16	4,671,626	3,737,792
Loan - District Municipality		-	1,000,000
Bank overdraft	9	-	107,862
		107,621,902	**82,888,835**
Non-Current Liabilities			
Other Interest Bearing Liabilities	13	7,514,668	8,837,724
Finance lease obligation	14	-	16,589
		7,514,668	**8,854,313**
TOTAL LIABILITIES		**115,136,570**	**91,743,148**
NET ASSETS		**6,229,794**	**30,280,467**
NET ASSETS			
Reserves			
Government grant reserve	12&12	6,411,089	7,328,066
Accumulated surplus		(181,295)	22,952,401
Total Net Assets		**6,229,794**	**30,280,467**

Statement of Financial Performance

Figures in Rand	Note(s)	2010 (Restated)	2009 (Budget)
Revenue			
Property rates		6,237,049	5,969,862
Service charges		57,187,992	47,152,629
Rental Income		354,072	334,012
Fines		6,291,735	7,237,742
Licences and permits		2,090,533	1,760,691
Government grants		30,612,873	21,619,303
Miscellaneous other revenue		-	500,000
	19	**102,774,254**	**84,574,239**
Other income			
Commissions received		75,502	105,976
Fees earned		575,936	565,981
Interest received	30	48,638	53,763
Interest Earned - Outstanding Debtors		8,803,794	6,737,461
Sundry		1,298,141	1,406,845
		10,802,011	**8,870,026**
Expenses (Refer to page 9)		**(134,729,272)**	**(128,196,396)**
Operating deficit	25	**(21,153,007)**	**(34,752,131)**
Interest Paid	32	(3,300,584)	(3,109,169)
Deficit for the year		**(24,453,591)**	**(37,861,300)**

The supplementary information presented does not form part of the annual financial statements and is unaudited

Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Operating expenses			
Advertising		(47,981)	(162,337)
Administration and management fees		-	(1,653,263)
Auditors remuneration	33	(1,132,647)	(1,320,643)
Bad debts		(37,778,645)	(41,446,679)
Bank charges		(166,201)	(129,215)
Contribution to leave provision		(917,715)	(3,041,434)
Computer expenses		(25,919)	(107,709)
Legal expenses		(708,104)	(875,388)
Consulting and professional fees		(505,485)	(176,093)
Consumables		(41,233)	(25,051)
Debt collection		-	(19,569)
Delivery expenses		-	(1,349)
Skills Development Levy		(90,524)	(182,898)
Entertainment		(76,752)	(77,223)
Congresses		-	(3,333)
Bursaries		-	(13,206)
Insurance		(872,581)	(1,005,942)
Community development and training		(32,400)	(44,700)
Grant Related operational expenditure		(4,367,444)	(1,167,498)
Lease rentals on operating lease		(1,459,915)	(1,378,668)
Magazines, books and periodicals		(764)	(3,115)
Motor vehicle expenses		(1,005,678)	(1,211,439)
Pest control & Poison		(12,919)	(17,133)
Licensing		(117,241)	(106,477)
Postage & courier		(142,737)	(79,139)
Printing and stationery		(416,535)	(292,950)
Promotions		(9,581)	-
Protective clothing		(114,634)	(21,590)
Repairs and maintenance		(4,072,203)	(7,344,709)
Indigent subsidy		(3,026,459)	(6,674,288)
Subscriptions & membership fees		(216,906)	(163,552)
Telephone and fax		(910,142)	(953,866)
Training		(38,953)	(94,904)
Subsistence & travel		(774,045)	(507,634)
Councillors' Remunerations		(2,116,695)	-
Loss on disposal of property		(22,048)	-
Stock loss		(560)	(17,805)
Land Surveyor		(149,856)	(155,971)
Strategic Planning Workshop		(6,758)	(116,184)
Stores & material		(29,558)	(41,180)
Bulk purchases		(28,871,830)	(21,714,881)
Contracted Services		(4,126,702)	(3,329,631)
Chemicals		(1,915,035)	(2,269,733)
Other expenses		(1,393,868)	(403,845)
Employee costs		(28,834,258)	(29,844,172)
Depreciation, amortisation and impairments		(8,179,761)	-
		(134,729,272)	**(128,196,396)**

Statement of Changes in Net Assets

Figures in Rand	Implementation of GRAP	Government grant reserve	Total reserves	Accumulated surplus	Total net assets
Restated balance as at 01 July 2008	**42,644,619**	**-**	**42,644,619**	**-**	**42,644,619**
Changes in net assets					
Implementation of GRAP	(42,644,619)	7,328,066	(35,316,553)	35,316,553	-
Net Prior year adjustments	-	-	-	25,497,148	25,497,148
Net income (losses) recognised directly in net assets	(42,644,619)	7,328,066	(35,316,553)	60,813,701	25,497,148
Surplus for the year	-	-	-	(37,861,300)	(37,861,300)
Total recognised income and expenses for the year	(42,644,619)	7,328,066	(35,316,553)	22,952,401	(12,364,152)
Total changes	(42,644,619)	7,328,066	(35,316,553)	22,952,401	(12,364,152)
Balance at 01 July 2009	**-**	**7,328,066**	**7,328,066**	**30,683,389**	**38,011,455**
Changes in net assets					
Surplus for the year	-	-	-	(24,453,591)	(24,453,591)
Off setting depreciation	-	(2,949,624)	(2,949,624)	2,949,624	-
Net Purchase of Assets	-	2,238,413	2,238,413	(2,238,413)	-
Asset Disposals	-	(205,766)	(205,766)	205,766	-
Net Prior Year Adjustments	-	-	-	(7,328,070)	(7,328,070)
Total changes	-	(916,977)	(916,977)	(30,864,684)	(31,781,661)
Balance at 30 June 2010	**-**	**6,411,089**	**6,411,089**	**(181,295)**	**6,229,794**
Note(s)	11	12			

LEKWA TEEMANE LOCAL MUNICIPALITY

(Dermacation number NW396)
Annual Financial Statements for the year ended 30 June 2010

Cash Flow Statement

Figures in Rand	Note(s)	2010	2009
Cash flows from operating activities			
Receipts			
Investment Income		48,638	53,763
Net adjustments of Note 36		12,868,181	48,389,485
		12,916,819	48,443,248
Payments			
Interest Paid		(3,300,584)	(3,109,169)
Net cash flows from operating activities	36	**9,616,235**	**45,334,079**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(9,515,705)	(47,124,061)
Cash flows from financing activities			
Repayment of other interest bearing liabilities		2,865,168	478,511
Movement in dr. segomotsi ruth mompati district municipality		(1,000,000)	1,500,000
Finance lease payments		(30,636)	-
Net cash flows from financing activities		**1,834,532**	**1,978,511**
Net increase/(decrease) in cash and cash equivalents		**1,935,062**	**14,448,929**
Cash and cash equivalents at the beginning of the year		(100,477)	(14,549,406)
Cash and cash equivalents at the end of the year	9	**1,834,585**	**(100,477)**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value, damaged and obsolete stock is made at each balance sheet date. The write down or adjustment is included in the operation surplus note.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including period of continued use or maintance service together with economic factors such as inflation and interest rates.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the enterprise, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

<u>Fair value</u>

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business, are as follows:

<u>Transitional provision</u>

The municipality changed its accounting policy for investment property in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure investment property for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Investment property. Investment property has accordingly been recognised at provisional amounts, as disclosed in 2. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where investment property was acquired through a transfer of functions, the municipality is not required to measure that investment property for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and investment property has accordingly been recognised at provisional amounts, as disclosed in 2.

Accounting Policies

1.2 Investment property (continued)

Until such time as the measurement period expires and investment property is recognised and measured in accordance with the requirements of the Standard of GRAP on Investment property, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Investment property implies that any associated presentation and disclosure requirements need not be complied with for investment property not measured in accordance with the requirements of the Standard of GRAP on Investment property.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated

Accounting Policies

1.3 Property, plant and equipment (continued)
depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life (years)
Buildings	20 - 30
Plant and machinery	2 - 7
Furniture and fixtures	7 - 10
Motor vehicles	5 - 7
Office equipment	3 - 7
Infrastructure	10 - 30
Community	5 - 30

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as

Accounting Policies

1.3 Property, plant and equipment (continued)

disclosed in 3. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 3.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.4 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to other comprehensive income and accumulated in the revaluation surplus in equity, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to other comprehensive income as a decrease to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and to other comprehensive income. If a revaluation is necessary, all assets of that class are revalued.

1.5 Financial instruments

<u>**Classification**</u>

The municipality classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Accounting Policies

1.5 Financial instruments (continued)

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement

Accounting Policies

1.5 Financial instruments (continued)

or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.7 Inventories

Inventories are valued at cost, determined on a FIFO basis. Where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition. For residential or commercial stands, the inventory is measured at actual cost of servicing or acquiring the land.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and/or condition.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies

1.7 Inventories (continued)

Transitional provision

The municipality changed its accounting policy for inventories in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure inventories for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Inventories. Inventories has accordingly been recognised at provisional amounts, as disclosed in 5. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 4 of the GRAP Reporting Framework, where inventories was acquired through a transfer of functions, the municipality is not required to measure that inventories for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and inventories has accordingly been recognised at provisional amounts, as disclosed in 5.

Until such time as the measurement period expires and inventories is recognised and measured in accordance with the requirements of the Standard of GRAP on Intangible assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Inventories implies that any associated presentation and disclosure requirements need not be complied with for inventories not measured in accordance with the requirements of the Standard of GRAP on Inventories.

1.8 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale.

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed or state plans retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value

Accounting Policies

1.10 Employee benefits (continued)
of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The municipality provides post-retirement health care benefits and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.11 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Accounting Policies

1.11 Provisions and contingencies (continued)

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

Transitional provision

The municipality changed its accounting policy for provisions, contingent liabilities and contingent assets in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where provisions, contingent liabilities and contingent assets was acquired through a transfer of functions, the municipality is not required to measure that provisions, contingent liabilities and contingent assets for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and provisions, contingent liabilities and contingent assets has accordingly been recognised at provisional amounts, as disclosed in 16.

Until such time as the measurement period expires and provisions, contingent liabilities and contingent assets is recognised and measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets implies that any associated presentation and disclosure requirements need not be complied with for provisions, contingent liabilities and contingent assets not measured in accordance with the requirements of the Standard of GRAP on Provisions, contingent liabilities and contingent assets.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.14 Investment income

Accounting Policies

1.14 Investment income (continued)

Investment income is recognised on a time-proportion basis using the effective interest method.

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.9 and . In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Extended periods is periods that exceeds X months.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.19 Irregular expenditure

Irregular expenditure in relation to a municipality or municpal entity means:

(a) expenditure uncurred by a municipality or municpal entity in contravention of or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 70;

(b) expenditure incurred by a municpality in contravention of or that is not in accordnace with a requirement of the Municpal Syatems Act, and which has not been condoned in terms of that Act;

(c) Expenditure incurred by a municpality or municpal entity in contravention of or that is not in accordance with a requirement of the Public Office Bearers Act, 1998 (Act No. 20 of 1998) or;.

(d) expenditure incurred by a municipality or municipal entity in contravention of or that is not in accordance with, a requirement of the supply chain management policy of the municpality or entity or any of the municpality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-laws but excludes expenditure by a municpality which falls within the definition of ünathourised expenditure by a municpality which falls within the definition of unathourised.

1.20 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.21 Presentation of currency

These annual financial statements are presented in South African Rand.

1.22 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.23 Internal reserves

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

Compensation for occupational injuries and diseases (COID) reserve

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is 0.75% of the salary expense. The municipality is an exempt employer in terms of Section 84 (1) (a)(ii) & (2)

Accounting Policies

1.23 Internal reserves (continued)

and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status, the municipality use the Workerman's Compensation Fund to cover for such challenges.

1.24 Gratuities

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is paid.

1.25 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.26 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009 (Restated)

2. Investment property

	2010			2009		
	Valuation	Fair Value	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	502,883	-	502,883	502,883	-	502,883

Reconciliation of investment property - 2010

	Opening balance	Total
Investment property	502,883	502,883

Reconciliation of investment property - 2009

	Opening balance	Total
Investment property	502,883	502,883

	2010	2009
Fair value of investment properties	502,883	502,883

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

Amounts recognised in surplus and deficit for the year.

	2010	2009
Rental revenue from investment property	231,930	152,873

Transitional provisions

Investment property recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note certain investment property with a carrying value of R 502,883 (2009: R 502,883) was recognised at provisional amounts.

Due to initial adoption of GRAP 16

	2010	2009
Investment Property	502,883	502,883

Steps taken to establish the values of investment property recognised at provisional amounts due to the initial adoption of GRAP 16 are to develop a detailed plan of action. The plan will include, inter alia, appointing a proffessional valuer to value the property and adjust the accounting records accordingly. The plan will be developed and implemented in the ensuing periods, prior to the expiry of Directive No. 4.

There are no provisional amounts adjusted retrospectively during the year.

The date at which full compliance with GRAP 16 is expected, is 30 June 2012.

3. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

3. Property, plant and equipment (continued)

Land	620,372	-	620,372	622,872	-	622,872
Buildings	3,799,877	(188,106)	3,611,771	3,797,377	-	3,797,377
Plant and machinery	8,917,178	(3,567,763)	5,349,415	6,459,501	-	6,459,501
Furniture and fixtures	1,180,623	(135,061)	1,045,562	983,311	-	983,311
Motor vehicles	7,918,272	(1,777,461)	6,140,811	8,045,133	-	8,045,133
Office equipment	2,482,578	(265,379)	2,217,199	2,386,561	-	2,386,561
Infrastructure	30,170,748	(2,238,413)	27,932,335	22,595,920	-	22,595,920
Community	299,911	(7,578)	292,333	299,911	-	299,911
Capital work in progress	1,066,917	-	1,066,917	1,933,475	-	1,933,475
Total	**56,456,476**	**(8,179,761)**	**48,276,715**	**47,124,061**	**-**	**47,124,061**

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Transfers	Op. Adjustment	Depreciation	Total
Land	622,872	-	-	-	(2,500)	-	620,37
Buildings	3,797,377	-	-	-	2,500	(188,106)	3,611,77
Plant and machinery	6,459,501	2,457,677	-	-	-	(3,567,763)	5,349,41
Furniture and fixtures	983,311	201,219	(1,900)	-	-	(137,068)	1,045,56
Motor vehicles	8,045,133	-	(126,861)	-	-	(1,777,461)	6,140,81
Office equipment	2,386,561	148,539	(34,650)	-	-	(283,251)	2,217,19
Infrastructure	22,595,920	5,641,353	-	1,933,475	-	(2,238,413)	27,932,33
Community	299,911	-	-	-	-	(7,578)	292,33
Capital work in progress	1,933,475	1,066,917	-	(1,933,475)	-	-	1,066,91
	47,124,061	**9,515,705**	**(163,411)**	**-**	**-**	**(8,199,640)**	**48,276,71**

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Total
Land	-	622,872	622,872
Buildings	-	3,797,377	3,797,377
Plant and machinery	-	6,459,501	6,459,501
Furniture and fixtures	-	983,311	983,311
Motor vehicles	-	8,045,133	8,045,133
Office equipment	-	2,386,561	2,386,561
Infrastructure	-	22,595,920	22,595,920
Community	-	299,911	299,911
Capital work in progress	-	1,933,475	1,933,475
	-	**47,124,061**	**47,124,061**

Pledged as security

Carrying value of assets pledged as security:

	2010	2009
Office equipment	1,422,960	1,777,653

There are some items of office equipment that were financed through a lease and the assets secure the loan. The terms of the loan are discussed in detail under under Finance Lease Note.

The municpality has taken advantage of transitional provisions set out in GRAP 17 and Directive Number 4 in that it will unbundle infrastructure assets over a period of three years. The municipality is in the process of itemising all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by the expiry of the grace period (30 June 2012). At present, depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using the global historical costs recorded in the accounting records. Furthermore, the municipality has not assessed whether items of property, plant and equipment are impaired. It is expected that an assessment of impairment will be done by 30 June 2012.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

3. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

Office equipment	1,566,490	1,971,875

Transitional provisions

Property, plant and equipment recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note certain property, plant and equipment with a carrying value of R 47,281,376 (2009: R 45,190,586) was recognised at provisional amounts. Carrying amounts of property, plant and equipment carried at provisional amounts are as follows:

Due to initial adoption of GRAP 17

Land	620,372	622,872
Buildings	3,611,771	3,797,377
Plant and Machinery	5,349,415	6,459,501
Furniture & Fittings	1,043,554	983,311
Motor vehicles	6,140,811	8,045,133
Office Equipment	2,199,327	2,386,561
Infrastructure	28,023,793	22,595,920
Community	292,333	299,911

Steps taken to establish the values of property, plant and equipment recognised at provisional amounts due to the initial adoption of GRAP 17, will be implemented in future. A plan will be developed in the ensuing financial periods and engagements be made with Provincial Department of Cooperative Governance and Traditional Affairs, Treasury and the District Council (Dr Ruth Momphati) for financial and/or human capital. This is against the background that the exercise requires both technical expertise in the form of, for example, engineers, proffessional valuers and entails a significant amount of financial resources.

There are no provisional amounts adjusted retrospectively during the year.

The date at which full compliance with GRAP 17 is expected, is 30 June 2012.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

4. Retirement benefits

Post Retirement Medical Aid Plan

Municipal employees are entitled to receive the municipality's contribution of medical aid after their retirement. The key terms are that the officials, after retirement, must pay their portion of the medical aid contributions whilst the municipality pays its own portion.

As at the balance sheet date, the municipality did not appoint an independent and qualified proffessional to perform the actuarial valuation of its obligations with regards to the retirement plan. As such no provision was made for it.

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose. At the present moment, Lekwa Teemane Local Municpality Employees contribute to the following funds: Joint Municipal Funds, Retirement Fund, SALA, SNPF, IMATU Retirement Fund and the Municipal Gratuity Fund. Councillors contribute to the Councillors Retirement Fund, which provides benefits to such employees and councillors. The last actuarial valuation of the municipal Pension Funds and Councillors'Pension Fund was done as at 30 June 1999.

The municipality is under no obligation to cover any unfunded benefits.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

4. Retirement benefits (continued)

The total economic entity contribution to such schemes	3,793,788	3,573,186

5. Inventories

Consumable stores	11,275	29,963
Water	38,566	-
Fuel (Diesel, Petrol)	55,658	10,558
Stands for sale	659,000	659,000
	764,499	**699,521**

Transitional provisions

Inventories recognised at provisional amounts

In accordance with the transitional provisions as per Directive 4 of the GRAP Reporting Framework, as disclosed in note certain inventories with a carrying value of R 670,274 (2009: R 688,963) was recognised at provisional amounts. Carrying amounts of inventories carried at provisional amounts are as follows:

Due to initial adoption of GRAP 12

Consumables	11,274	29,963
Stands for sale	659,000	659,000

Steps taken to establish the values of inventories recognised at provisional amounts due to the initial adoption of GRAP 12, are to establish the exact facts and circumstances relating to these inventories. As more information is being obtained, adjustments, if need be will be made. This process will be done after developing a detailed formal plan, which will be approved by council.

There are no provisional amounts retrospectively adjusted during the year.

The date at which full compliance with GRAP 12 is expected, is 30 June 2012.

6. Trade and other receivables

Trade debtors	9,595,403	8,633,422
Deposits	8,000	8,000
Other receivables	195,374	599,489
	9,798,777	**9,240,911**

7. VAT receivable

VAT	330,542	71,895

VAT is payable on the receipt basis. Only once payment has been received from debtors is VAT paid over to SARS.

8. Consumer debtors

Gross balances

Rates	12,376,076	9,893,946
Electricity	10,066,969	6,941,561
Water	32,057,407	26,144,769
Sewerage	23,205,045	16,792,772
Refuse	20,345,334	15,016,455
Arrangements (all Service Charges)	329	329
Interest (all Service Charges)	400,913	44,009,823
Sundry	4,235,228	6,307,256

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

8. Consumer debtors (continued)

	2010	2009
	102,687,301	**125,106,911**
Less: Provision for debt impairment		
Rates	(3,882,311)	(1,305,915)
Electricity	(3,872,783)	(1,105,657)
Water	(21,797,812)	(4,164,358)
Sewerage	(8,930,142)	(2,674,765)
Refuse	(5,829,650)	(2,391,832)
Sewerage	-	(329)
Regional services levies	-	(44,009,823)
Other (specify)	-	(6,307,256)
	(44,312,698)	**(61,959,935)**
Net balance		
Rates	8,493,765	8,588,031
Electricity	6,194,186	5,835,904
Water	10,259,595	21,980,411
Sewerage	14,274,903	14,118,007
Refuse	14,515,684	12,624,623
Arrangements (all Service Charges)	329	-
Interest (all Service Charges)	400,913	-
Sundry	4,235,228	-
	58,374,603	**63,146,976**
Rates		
Current (0 -30 days)	561,763	506,960
31 - 60 days	388,772	335,227
61 - 90 days	333,222	505,947
>91 days	206,169	7,239,897
121 - 365 days	7,003,839	-
	8,493,765	**8,588,031**
Electricity		
Current (0 -30 days)	2,205,225	1,957,921
31 - 60 days	859,302	829,687
61 - 90 days	615,687	437,576
>91 days	2,513,972	2,610,720
	6,194,186	**5,835,904**
Water		
Current (0 -30 days)	1,159,067	1,196,643
31 - 60 days	906,985	657,484
61 - 90 days	927,818	579,356
>91 days	7,265,725	19,546,928
	10,259,595	**21,980,411**
Sewerage		
Current (0 -30 days)	853,578	557,858
31 - 60 days	753,737	450,792
61 - 90 days	728,034	442,748
>91 days	11,939,554	12,666,609
	14,274,903	**14,118,007**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

8. Consumer debtors (continued)

Refuse		
Current (0 -30 days)	633,836	520,654
31 - 60 days	578,916	437,210
61 - 90 days	561,474	423,343
>91 days	12,741,458	11,243,416
	14,515,684	**12,624,623**
Arrangements (all Services)		
> 365 days	329	-
Interest (all Services)		
Current (0 -30 days)	398,492	-
31 - 60 days	2,421	-
	400,913	**-**
Other (specify)		
Current (0 -30 days)	1,102,245	-
31 - 60 days	11,237	-
61 - 90 days	12,884	-
91 - 120 days	1,084,082	-
Undefined Difference	**2,024,780**	-
	4,235,228	**-**

Reconciliation of debt impairment provision

Balance at beginning of the year	(61,959,935)	(38,371,377)
Contributions to provision	(37,778,645)	(24,189,184)
Debt impairment written off against provision	55,425,882	600,626
	(44,312,698)	**(61,959,935)**

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2010, R7,495,435 were past due but not impaired.

1 month past due	3,927,373	-
2 months past due	3,568,062	-

Consumer debtors impaired

As of 30 June 2010, consumer debtors of R 88,569,343 were over 3 months past due and thus partially impaired. A provision to cater for the impairment has been made.

The amount of the provision was R 44,612,698 as of 30 June 2010 (2009: R 61,959,935).

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	4,290	7,385
Bank balances	1,830,295	-
Bank overdraft	-	(107,862)
	1,834,585	**(100,477)**
Current assets	1,834,585	7,385

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
9. Cash and cash equivalents (continued)		
Current liabilities	-	(107,862)
	1,834,585	**(100,477)**
Cash and cash equivalents held by the entity that are not available for use by the economic entity	842,352	801,349

Cash and cash equivalents pledged as collateral

	2010	2009
Total financial assets pledged as collateral for the Council's overdraft facility of R1,000,000	842,352	801,349

The amount is to be held in money market placements for as long as the municipality's overdraft facility is in place. The facility was done on an arms lentgh transaction and the facility is renewable annually. Average gross rate of return on investment during the year was 8.9% (2008: 6.7%).

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2010	30 June 2009		Cash book balances 30 June 2010	30 June 2009	
Absa BANK - Current Account (Account No. 1810000844)	345,031	(282,508)	-	317,538	(307,319)	-
Absa BANK - Current Account (Account No. 181046415)	804,875	46,394	-	804,875	-	-
Absa BANK - Savings Account (Account No. 1810147748)	2,548	2,553	-	2,548	-	-
Absa BANK - Current Account (Account No. 4059244467)	676,293	199,457	-	676,293	199,457	-
Absa BANK - Current Account (Account No. 4053056975)	249	-	-	249	-	-
Boitumelong Ext 4 (Account No. 4063524168)	28,792	-	-	28,792	-	-
Total	**1,857,788**	**(34,104)**	**-**	**1,830,295**	**(107,862)**	**-**

10. Non-current assets held for sale

The municipality has decided to sale some of its furniture and fittings. The decision was approved by council during the current year.

The non-current assets are to be sold piecemeal through an public auction, to be conducted by a professional auctioneer.

The disposal are expected to be completed by 30/06/2011.

Transitional provision

In accordance with its transitional provision as per Directive 4 of the GRAP Reporting Framework, the municipality need not comply with the standard on Non-current Assets held for Sale and Discontinued Operations, until such time as the measurement period in the transitional provision for any of the following Standards of GRAP have expire:

- Construction Contracts
- Inventories
- Investment Property
- Property Plant and Equipments
- Provisions, Contingent Liabilities and Contingent Assets
- Agriculture
- Intangible Assets

11. Pre - GRAP Reserves (Loans Redeemed & Other Capital Receipts)

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
11. Pre - GRAP Reserves (Loans Redeemed & Other Capital Receipts) (continued)		
Balance as previously reported	-	42,644,619
Transfer to Government Grant Reserve	-	(7,328,066)
Transfer to Accumulated Surplus	-	(35,316,553)
	-	-

12. Government grant reserve

	2010	2009
Balance at the beginning of the year	7,328,066	-
Transfer from Pre-GRAP Reserves	-	7,328,066
Off setting of Depreciation	(2,949,624)	-
Purchase of new assets	2,238,413	-
Asset Disposal	(205,766)	-
	6,411,089	**7,328,066**

13. Other Interest Bearing Liabilities

	2010	2009
Held at amortised cost		
Dr. Segomotsi Ruth Mompati District Municipality The loan was advanced by the District Municipality as working capital. The loan, which was interest free and not secured, was written off during the year.	-	1,000,000
Development Bank of South Africa (DBSA) The loans carry interest at rates varying between 13.41% and 17.47% per annum and are repayable over the periods ranging from four years upwards. the last loan will be redeemed by 2015. As at 30 June 2010, R13,708,432 (2009: R9,705,598) was in arrears and the entire amount has been disclosed as a short-term liability. These loans were used to fund the municipality's infrastructure assets. Some of the loans are secured by the municipality's assets. See Note 3 for more information.	20,980,087	17,694,151
ABSA Bank Loans The loans were used to finance the renovation of one the municipal buildings and motor vehicles. The loans carry interest at a floating rate per annum and is repayable over 3 years upwards. The loan is secured by the building. See Note 3 for more information.	1,475,459	1,896,221
	22,455,546	**20,590,372**
Non-current liabilities		
At amortised cost	7,514,668	8,837,724
Current liabilities		
At amortised cost	14,940,879	10,752,655
	22,455,547	**19,590,379**

The fair values of the financial liabilities is the balances due as at 30 June 2010, as there is no evidence that the balances are impaired.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

14. Finance lease obligation

Minimum lease payments due		
- within one year	17,079	34,253
- in second to fifth year inclusive	-	17,079
	17,079	51,332
less: future finance charges	(445)	(4,062)
Present value of minimum lease payments	**16,634**	**47,270**
Present value of minimum lease payments due		
- within one year	16,634	30,681
- in second to fifth year inclusive	-	16,589
	16,634	**47,270**
Non-current liabilities	-	16,589
Current liabilities	16,634	30,681
	16,634	**47,270**

It is municipality policy to lease certain property, plant and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 10% (2009: 10%).

Interest rates for loans obtained form Absa Bank are linked to prime whilst the finance lease for furniture was fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

15. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Finance Management Grant	9,068,127	1,613,547
Movement during the year		
Balance at the beginning of the year	1,613,547	1,305,411
Additions during the year	20,417,400	8,568,589
Income recognition during the year	(12,962,820)	(8,260,453)
	9,068,127	**1,613,547**

Due to the municipality's current cashflow challenges, these amounts are not adequately covered by the ring-fenced investments. Total cash resources as at 30 June 2010 were R3,205,193 (2009: R1,237,368), creating a shortfall of R5,862,934. See Note 10 for more information.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

16. Provisions

Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	212,926	27,074	-	240,000
Crockery Town Hall	11,828	-	(1,259)	10,569
Leave Provision	3,513,038	1,055,049	(147,030)	4,421,057
	3,737,792	**1,082,123**	**(148,289)**	**4,671,626**

Reconciliation of provisions - 2009

	Opening Balance	Additions	Total
Environmental rehabilitation	-	212,926	212,926
Crockery Town Hall	11,828	-	11,828
Leave pay provision	-	3,513,038	3,513,038
	11,828	**3,725,964**	**3,737,792**

17. Trade and other payables

	2010	2009
Trade payables	67,198,609	58,129,494
Payments received in advanced	3,975,229	982,791
Other payables	6,802,143	5,576,983
	77,975,981	**64,689,268**

18. Consumer deposits

	2010	2009
Rates	948,655	916,012
Electricity	-	37,593
Town Hall	-	3,425
	948,655	**957,030**

19. Revenue

	2010	2009
Property rates	6,237,049	5,969,862
Service charges	57,187,992	47,152,629
Rental of facilities & equipment	354,072	334,012
Fines	6,291,735	7,237,742
Licences and permits - Quarry	2,090,533	1,760,691
Government grants	30,612,873	21,619,303
District Municipality Contribution	-	500,000
	102,774,254	**84,574,239**

The amount included in revenue arising from exchanges of goods or services are as follows:

	2010	2009
Service charges	57,187,992	47,152,629
Rental of facilities & equipment	354,072	334,012
Licences and permits	2,090,533	1,760,691
Miscellaneous other revenue	-	500,000
	59,632,597	**49,747,332**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

19. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	6,237,049	5,969,862
Fines	6,291,735	7,237,742
Government grants	30,612,873	21,619,303
	43,141,657	**34,826,907**

20. Property rates

Rates received

Residential	6,237,049	5,969,862

21. Service charges

Sale of electricity	26,763,809	20,753,210
Sale of water	13,897,384	13,847,733
Sewerage and sanitation charges	9,311,722	6,546,404
Refuse removal	7,215,077	6,005,282
	57,187,992	**47,152,629**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

22. Government grants and subsidies

	2010	2009
Equitable share	17,733,291	13,311,158
Finance Management Grant (FMG)	1,030,308	-
Department of Arts Sports & Culture	400,000	400,000
Municipal Systems Improvement Grant (MSIG)	735,000	735,000
Municipal Infrastructure Grant (MIG)	9,381,089	7,139,000
Health General	-	34,145
Intergrated National Electricity Programme	1,333,185	-
	30,612,873	**21,619,303**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R 120 (2009: R 120) per household, which is funded from the grant.

Department of Sports, Arts and Culture

	2010	2009
Current-year receipts	400,000	400,000
Conditions met - transferred to revenue	(400,000)	(400,000)
	-	-

The grant was received from the district municpality as part of their contribution towards the running of the libraries i.e. to cover operational costs. No funds have been with held,

MIG

	2010	2009
Current-year receipts	11,263,000	7,139,000
Conditions met - transferred to revenue	(9,381,089)	(7,139,000)
Balance at the end of the year	(1,881,911)	-
	-	-

The grant was used for the construction or resealing of road infrastructure in the local residential areas. Part of this costs is included in Work In Progress in Note 3 and Appendix B. (see note 15)

MSIG

	2010	2009
Current-year receipts	735,000	735,000
Conditions met - transferred to revenue	(735,000)	(735,000)
	-	-

The grant was used for municpal capacity building. (see note 15)

The conditions for the grant have been met. There was no delay or withholding of the grant.

FMG

	2010	2009
Balance unspent at beginning of year	113,547	-
Current year receipts	1,000,000	500,000
Conditions met - transfered to revenue	(1,113,547)	(386,453)
Balance at the end of the year	-	(113,547)
	-	-

The grant was used for operational and capital purposes, which included payment of interns salaries and other budgetary reforms. (see note 15)

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

22. Government grants and subsidies (continued)

Provide explanations of conditions still to be met and other relevant information

Intergrated National Electricity Programme (INEP)

Current-year receipts	1,927,000	109,000
Conditions met - transferred to revenue	(1,333,185)	(109,000)
Balance at end of year	(593,815)	-
	-	-

The grant was used to finance electricity related trsactions in the municipal area. (see note 15)

Health General

Current-year receipts	-	34,145
Conditions met - transferred to revenue	-	(34,145)
	-	-

This is a health subsidy for the operation of clinics in the municpal area. (see note 15)

Department of Arts Sports and Culture - Library

Balance unspent at beginning of year	-	1,500,000
Balance unspent at beginning of year	1,500,000	-
Current-year receipts	2,500,000	-
Balance at end of year	(4,000,000)	(1,500,000)
	-	-

The grant was provided for the sole purpose of constructing a library in Ultlwanang. The library has, however, not yet been constructed. The money was temporarily invested in a ring fenced investmer account. (see note 15)

Bophirima District Council

Current-year receipts	2,592,400	-
Balance at end of year	(2,592,400)	-
	-	-

The grant is used for operational and capital purposes.

23. Other revenue

Irrigation Fees	575,936	565,981
Commissions received	75,502	105,976
Interest on Debtors	8,803,794	6,737,461
Sundry	1,298,141	1,406,845
	10,753,373	**8,816,263**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

24. General expenses

Advertising	47,981	162,337
Auditors remuneration	1,132,647	1,320,643
Bank charges	166,201	129,215
Contribution to leave provision	917,715	3,041,434
Computer expenses	25,919	107,709
Consulting and professional fees	1,213,589	1,051,481
Consumables	41,233	25,051
Debt collection	-	19,569
Delivery expenses	-	1,349
Skills Development Levy	90,524	182,898
Entertainment	76,752	77,223
Congresses	-	3,333
Insurance related costs	872,581	1,005,942
Community development and training	32,400	44,700
Grant related expenditure	4,367,444	1,167,498
Bursaries	-	13,206
Lease rentals on operating lease	1,459,915	1,378,668
Magazines, books and periodicals	764	3,115
Motor vehicle expenses	1,005,678	1,211,439
Pest control	12,919	17,133
Licencing	117,241	106,477
Postage and courier	142,737	79,139
Printing and stationery	416,535	292,950
Promotions	9,581	-
Protective clothing	114,634	21,590
Indigent subsidy	3,026,459	6,674,288
Subscriptions and membership fees	216,906	163,552
Telephone and fax	910,142	953,866
Training	38,953	94,904
Subsistence & Travel	774,045	507,634
Assets expensed	2,116,695	-
Tourism development	22,048	-
Stock loss	560	17,805
Land surveyor	149,856	155,971
Strategic Planning workshop	6,758	116,184
Stores and material	29,558	41,180
Chemicals	1,915,035	2,269,733
Other expenses	1,393,868	403,845
	22,865,873	**22,863,061**

25. Operating deficit

Operating deficit for the year is stated after accounting for the following:

<u>Operating lease charges</u>		
Premises		
• Contractual amounts	1,297,929	1,189,371
Equipment		
• Contractual amounts	160,653	187,267
Lease rentals on operating lease - Other		
• Contractual amounts	1,333	2,030
	1,459,915	**1,378,668**
Depreciation on property, plant and equipment	8,179,761	-
Employee costs	28,834,258	29,844,172

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

26. Employee related costs

Basic	16,640,988	17,058,972
Car allowance	868,133	898,518
Cash in lieu of leave	301,272	221,153
Housing benefits and allowances	122,494	154,469
Leave pay provision charge	1,417,295	1,295,859
Medical aid - company contributions	1,949,469	1,701,281
Other	32,211	30,392
Overtime payments	1,882,394	1,317,854
Post-employment benefits - Pension (Defined contribution plan)	3,607,691	3,342,701
Telephone Allowances	51,669	69,280
UIF	186,097	182,546
	27,059,713	**26,273,025**

Remuneration of Municipal Manager

Annual Remuneration	419,605	356,723
Travelling Allowance	122,615	122,296
Contributions to UIF, Medical and Pension Funds	118,826	101,930
	661,046	**580,949**

Remuneration of Chief Finance Officer

Annual Remuneration	451,123	369,666
Housing Allowance	23,904	23,904
Travelling Allowances	90,000	90,000
Contributions to UIF, Medical and Pension Funds	1,542	1,538
Other	24,600	-
	591,169	**485,108**

Acting Corporate Services Director

Annual Remuneration	-	127,878
Housing Allowance	-	41,500
Travelling Allowance	-	45,000
Contributions to UIF, Medical and Pension Funds	-	12,289
Acting Allowance	266,629	-
	266,629	**226,667**

Th Corporate Services Director resigned with effect from 31 December 2009.

Technical Services Director

Annual Remuneration	-	42,000
Housing Allowance	-	8,400
Travelling Allowances	-	11,725
Contributions to UIF, Medical and Pension Funds	-	12,873
Acting Allowance	145,622	-
	145,622	**74,998**

The Technical services Director resigned with effect from 31 August 2009.

Health, safety and social services (emergency management services)

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

26. Employee related costs (continued)

Acting Allowances	110,079	-

27. Remuneration of councillors

Councillors allowances	1,537,088	1,594,444
Telephone & Cellphone allowances	112,882	117,230
Travelling allowance	466,724	491,751
	2,116,694	**2,203,425**

28. Administrative expenditure

Administration costs	-	1,653,263

29. Debt impairment

Increase in provision for bad debts	37,778,645	41,446,679

30. Investment revenue

<u>**Interest revenue**</u>		
Interest on Money Market Investments	37,474	18,457
Bank	11,164	35,306
	48,638	**53,763**

31. Depreciation and amortisation

Property, plant and equipment	8,179,761	-

32. Interest Paid

Non-current borrowings	3,285,928	3,064,764
Bank	14,656	44,405
	3,300,584	**3,109,169**

33. Auditors' remuneration

Fees	1,132,647	1,320,643

34. Contracted services

Information Technology Services	1,586	1,586
Other Contractors	4,125,116	3,328,045
	4,126,702	**3,329,631**

35. Bulk purchases

Electricity	21,452,642	15,124,423
Water	7,419,188	6,590,458
	28,871,830	**21,714,881**

36. Cash generated from operations

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

36. Cash generated from operations (continued)

Deficit	(24,453,591)	(37,861,300)
Adjustments for:		
Depreciation and amortisation	8,179,761	-
Loss on sale of non-current assets and disposal groups	22,048	-
Debt impairment	37,778,645	41,446,679
Movements in provisions	933,834	2,936,794
Penalty paid	-	(1,500)
Increase in Money Market Investments	72,231	-
Increase in Non-current Assets Held for Sale (Non-cash)	181,546	-
Changes in working capital:		
Inventories	(64,978)	136,608
Trade and other receivables	(557,866)	18,963,740
Consumer debtors	(33,006,272)	-
Trade and other payables	13,286,713	19,963,740
VAT	(258,647)	-
Unspent conditional grants	7,454,580	(308,136)
Consumer deposits	(8,375)	57,454
Other Non-cash items	56,606	-
	9,616,235	**45,334,079**

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	7,695,389	15,339,397

Not yet contracted for but authorised by accounting officer

• Property, plant and equipment	27,013,396	5,927,805

This committed expenditure relates to plant and equipment and will be financed by existing and new bank facilities, existing cash resources, funds internally generated and grants from national, provincial government abd funds from the district3 municpality. Most of these projects are construction in nature, thus multi-year projects. They therefore take more than one year to be completed. Further, funds by national and provincial government are disbursed on a yearly basis based on approved project allocations (tranches).

38. Contingent Liabilities

Balances from Attorneys' Correspondences

Former Sports Mentor	5,200,000	4,000,000
Flood related claims	33,714,942	-

ContigentLiabilities

(a) The municpality is being sued by one of the foreign mentor for soccer (juniors to the community). This is as a result of the fact that the former mentor was involved in an accident in a municpal vehicle on his way from a sporting event.

The former foreign mentor is suing the municpality for injuries and disabilities allegedly caused by the accident in excess of R5,2 million. The case is still pending in the local courts. The municpality is disputing the obligation with regards to the said claim. At the moment, the attorney cannot determine the outcome with accuracy.

(b) Two insurance companies have written to the municipality claiming damages as a result of the floods that occured in January and February 2010. The municipality's attorneys have written to the insurance companies'attorneys denying any liability. Based on the advise of the municipals attorneys, the likely costs to be incurred as a result of this case are legal costs. We have, however, disclosed the entire amount being claimed.

Contingent Assets.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

38. Contingent Liabilities (continued)

(a) The municipality's former Mayor (who is currently a sitting councillor) is suing the municipality to set aside a decision to remove her as a Mayor. Based on the attorney's opinion, the municipality is likely to succeed and be able to also claim legal costs from her, should she fail in her case. The estimated costs to be incurred amount to about R100 000.

(b) The municipality is claiming R101,000 form one its creditors who continued to deduct money from the municipal bank account, after the cancellation of the contract. Based on the attorney's opinion, the municpality is likely to be successful. As such the amount has been disclosed a a contingent asset.

(c) An application was lodged with Northern Gauteng High Court by Bloenhof Taxpayers Association to prevent the municpality to cut electricity supply to the members of Bloemhof Taxpayers'Association, who are paying in lieu of services rended into the account of Maree & Bernard Attorneys. The municipality won the case and the attorney is in the process of drafting taxed costs.

39. Change in Accounting Policies & Comparative figures

During the current year, the municpality changed its reporting fromat from IMFO to GRAP. This resulted in prior year figures being restated as some transactions were like water inventory and provision for land fill sites were being recognised for the first time, with effect from the comparative amounts. In addition to this, some balances were reclaissified as the new reporting format required certain balances to be reported seperately (e.g. consumer debtors rather merging them with trade and other receivables) whilst some amounts were being moved from the balance sheet or income components that they were previously reported under. The net effect of the adoption of GRAP is as indicated below (in addition to Note 11 above).

Statement of financial position		
Net Increase in Current Assets	38,566	188,986
Net Increase in Non-Current Assets	7,049,504	44,696,012
Net Increase in Current Liabilities	-	3,469,414
Net Decrease in Non-current Liabilities	240,000	(422,436)
Net Increase in Equity	-	41,818,589
Statement of financial performance		
Net Increase in Government Grants	-	7,799,145
Net change in other income	-	11,238,122
Net change in expenses	-	11,634,213

40. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including interest rate risk, cash flow risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out under policies approved by the accounting officer. Municipality treasury identifies, evaluates and mitigates financial risks in close co-operation with the municipality's operating units. The accounting officer provides principles for overall risk management, as well as written policies covering the municpality's operations.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain a balance between its borrowings in fixed and floating rate instruments.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

40. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, consumer debtors, trade and other debtors. The municipality only deposits cash with major banks with high quality credit standing.

Consumer debtors, trade and other receivables comprise a widespread customer base. The municipality uses the Debt By-Laws to manage the risk

41. Events after the reporting date

There were no significant post balance sheet events.

42. Special arrangements with suppliers

During the current year, one of the municpality's main contractors requested that payment be made direct to the sub-contractor, rather than through the principal contractor. Approval was granted and payments made direct to the sub-contractor amounted to R1,953,917. The arrangement will be discontinued during the first quarter of the ensuing financial period.

43. Fruitless and wasteful expenditure

	2010	2009
Interest on arrears	3,285,928	1,518,537
Interest on late payment	618,605	893,579
Penalty - Early Termination of Investment	-	1,500
	3,904,533	**2,413,616**

Interest on Arrears: The municipality has not been servicing its debt with DBSA. As a result of this, DBSA has been charging interest on arrears (at prevailing interest rates). The amount in arreasrs (both capital and interest) has been disclosed as Current Liabilities. Negotiations are in progress with the lender to restructure the loan and other key loan terms. The negotiations should be completed in the near future.

Interest on Late Payments: This relates to interest charged on late payments of VAT to SARS and other creditors. Measures have been put in place to avoid these charges in future.

All of the foregoing were caused by the cashflow challenges that the municipality is currently facing. (see going Concern Note). These amounts were approved for write-off by Council (Council Resolution Number 2010). The amounts have as such been included in General Expenses.

44. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

	2010	2009
Net deficit per the statement of financial performance	(24,453,591)	(37,861,300)
Adjusted for:		
Difference in Depreciation	4,938,812	2,661,816
Bad debts	37,778,645	41,446,679
Loss on the sale of assets	22,048	-
Increases / decreases in provisions	933,834	2,936,794
Other non cash items	(18,017,314)	(8,685,107)
Net surplus per approved budget	**1,202,434**	**498,882**

45. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

	2010	2009
Opening balance	2,833,558	1,512,915
Current year subscription / fee	1,132,647	1,320,643

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

Amount paid - current year	(517,372)	-
	3,448,833	**2,833,558**

PAYE and UIF

Opening balance	665,209	-
Current year deductions	3,174,396	3,021,388
Amount paid	(1,114,861)	(2,356,179)
	2,724,744	**665,209**

Pension and Medical Aid Deductions

Current year deductions	7,639,778	4,956,785
Amount paid - current year	(6,151,647)	(4,956,785)
	1,488,131	**-**

VAT

VAT receivable	330,542	71,895

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2010:

30 June 2010	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor. K. L. Modise (Former Mayor)	5,598	27,298	32,896
Councillor. I. Mabala	970	1,973	2,943
Councillor R. M. Makodi	735	1,682	2,417
Councillor M. P. Letebele	822	9,415	10,237
Councillor K. L. Duiker	997	7,810	8,807
Councillor K. J. Bojong	1,042	18,201	19,243
Councillor A. Buys	11,926	39,600	51,526
Councillor G. Pencil	1,890	21,108	22,998
Councillor W. B. Percival	1,931	-	1,931
Councillor K M Segalo	3,309	-	3,309
Councillor D J Muller	1,769	-	1,769
	30,989	**127,087**	**158,076**

46. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	22,455,547	19,590,379
Used to finance property, plant and equipment	-	(4,830,888)
	22,455,547	14,759,491
Cash set aside for the repayment of long-term liabilities	-	(1,943,490)
	22,455,547	**12,816,001**

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Cash has been set

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

46. Utilisation of Long-term liabilities reconciliation (continued)
aside to ensure that long-term liabilities can be repaid on redemption date.

47. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

48. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix B for the comparison of actual capital expenditure versus budgeted expenditure.
Appendix A: Schedule of external loans

APPENDIX A

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

	Loan Number	Redeemable	Balance at 30 June 2009 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2010 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
			-	-	-	-	-	-
STRUCTURED LOANS								
ABSA 15.00%	8052840973	30/06/2011	216,343	-	166,399	49,944	-	-
ABSA 12.35%	66623225	30/06/2009	-	-	-	-	-	-
ABSA 13.37%	6564212	30/06/2008	-	-	-	-	-	-
ABSA 12.36	66874910	30/06/2008	-	-	-	-	-	-
ABSA 11.78%	69293269	30/06/2011	47,202	-	30,634	16,568	-	-
ABSA 17.22%	69179571	30/06/2010	47,269	-	30,634	16,635	-	-
ABSA	3022397824	30/06/2010	1,632,677	-	256,038	1,376,639	-	-
			-	-	-	-	-	-
			1,943,491	**-**	**483,705**	**1,459,786**	**-**	**-**
			-	-	-	-	-	-
			-	-	-	-	-	-

APPENDIX A

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

	Loan Number Rand	Redeemable Rand	Balance at 30 June 2009 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2010 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
DEVELOPMENT BANK OF SOUTH AFRICA								
DBSA @ 15.72%	11498	30/06/2004	496,705	92,242	-	588,947	-	-
DBSA @ 15.80%	11503	30/06/2013	798,003	148,195	-	946,198	-	-
DBSA @ 16.30%	11499	30/06/2011	134,244	24,930	-	159,174	-	-
DBSA @ 13.41%	11505	30/06/2009	1,124,291	208,789	-	1,333,080	-	-
DBSA @ 17.47%	11507	30/06/2010	944,712	175,440	-	1,120,152	-	-
DBSA @ 17.21%	11506	30/06/2010	7,876,892	1,462,793	-	9,339,685	-	-
DBSA @ 13.75%	11316	30/06/2014	3,114,001	578,292	-	3,692,293	-	-
DBSA @ 113.75%	11317	30/06/2015	1,571,021	291,750	-	1,862,771	-	-
DBSA @ 17.25%	11318	30/06/2015	1,634,288	303,499	-	1,937,787	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
TOTAL EXTERNAL LOANS			**17,694,157**	**3,285,930**	**-**	**20,980,087**	**-**	**-**
			-	-	-	-	-	-
STRUCTURED LOANS			1,943,491	-	483,705	1,459,786	-	-
			-	-	-	-	-	-
DEVELOPMENT BANK OF SOUTH AFRICA			17,694,157	3,285,930	-	20,980,087	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-

APPENDIX A

GOVERNMENT TEMPLATE: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2010

Loan Number Rand	Redeemable Rand	Balance at 30 June 2009 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2010 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		19,637,648	3,285,930	483,705	22,439,873	-	-

Supplementary information

Appendix B: Analysis of property, plant and equipment

GOVERNMENT TEMPLATE: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006

	Cost					Accumulated Depreciation					
	Opening Balance Rand	Additions Rand	Transfers Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Carrying Value Rand	Budget Additions Rand
Land/ Heritage	-	-	-	-	-	-	-	-	-	-	-
Buildings	4,420,249	-	-	2,500	4,417,749	-	185,606	-	185,606	4,232,143	-
Leasehold property	-	-	-	-	-	-	-	-	-	-	-
Plant and machinery	6,459,501	2,457,677	-	-	8,917,178	-	3,567,763	-	3,567,763	5,349,415	2,457,677
Furniture and fixtures	983,311	217,946	-	20,634	1,180,623	-	135,061	-	135,061	1,045,562	217,946
Motor vehicles	8,045,133	-	-	126,861	7,918,272	-	1,777,461	-	1,777,461	6,140,811	-
Office equipment	2,386,561	306,152	-	210,135	2,482,578	-	265,379	-	265,379	2,217,199	306,152
IT equipment	-	-	-	-	-	-	-	-	-	-	-
Computer software	-	-	-	-	-	-	-	-	-	-	-
Work In Progress	1,933,475	(1,933,475)	-	-	-	-	-	-	-	-	-
Infrastructure	22,595,920	5,641,353	1,933,475	-	30,170,748	-	2,238,413	-	2,238,413	27,932,335	-

GOVERNMENT TEMPLATE: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006

	Cost					Accumulated Depreciation					
	Opening Balance Rand	Additions Rand	Transfers Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Carrying Value Rand	Budget Additions Rand
Community	**299,911**	-	-	-	**299,911**	-	**7,578**	-	**7,578**	**292,333**	-
Other property, plant and equipment											
Landfill sites	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	-	-	-	-	-	-	-	-	-	-	-
Fire engines	-	-	-	-	-	-	-	-	-	-	-
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-
Computer equipment	-	-	-	-	-	-	-	-	-	-	-
Councillors Regalia	-	-	-	-	-	-	-	-	-	-	-
Conservancy tankers	-	-	-	-	-	-	-	-	-	-	-
Watercraft	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
Total											
Land/ Heritage	-	-	-	-	-	-	-	-	-	-	-
Buildings	4,420,249	-	-	2,500	**4,417,749**	-	185,606	-	**185,606**	**4,232,143**	-
Leasehold property	-	-	-	-	-	-	-	-	-	-	-
Plant and machinery	6,459,501	2,457,677	-	-	**8,917,178**	-	3,567,763	-	**3,567,763**	**5,349,415**	**2,457,677**
Furniture and fixtures	983,311	217,946	-	20,634	**1,180,623**	-	135,061	-	**135,061**	**1,045,562**	**217,946**
Motor vehicles	8,045,133	-	-	126,861	**7,918,272**	-	1,777,461	-	**1,777,461**	**6,140,811**	-
Office equipment	2,386,561	306,152	-	210,135	**2,482,578**	-	265,379	-	**265,379**	**2,217,199**	**306,152**
IT equipment	-	-	-	-	-	-	-	-	-	-	-
Computer software	-	-	-	-	-	-	-	-	-	-	-
Work In Progress	1,933,475	(1,933,475)	-	-	-	-	-	-	-	-	-
Infrastructure	22,595,920	5,641,353	1,933,475	-	**30,170,748**	-	2,238,413	-	**2,238,413**	**27,932,335**	-
Community	299,911	-	-	-	**299,911**	-	7,578	-	**7,578**	**292,333**	-
Other property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-
	47,124,061	**6,689,653**	**1,933,475**	**360,130**	**55,387,059**	-	**8,177,261**	-	**8,177,261**	**47,209,798**	**2,981,775**

Supplementary information

Appendix C: Segmental analysis of property, plant and equipment

GOVERNMENT TEMPLATE: SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006

	Cost					Accumulated Depreciation				
	Opening Balance Rand	Additions Rand	Under Construction Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Carrying Value Rand
Council Genral Expenditure	1,957,410	233,960	-	991,730	**1,199,640**	-	-	-	-	**1,199,640**
Health Services	244,834	-	-	3,000	**241,834**	-	-	-	-	**241,834**
Workshop	35,056	-	-	-	**35,056**	-	-	-	-	**35,056**
Pleasure Resort	88,228	-	-	-	**88,228**	-	-	-	-	**88,228**
Public Works	9,368,806	5,075,059	-	5,784	**14,438,081**	-	-	-	-	**14,438,081**
Stores	35,253	-	-	-	**35,253**	-	-	-	-	**35,253**
Corporate Services	565,214	8,042	-	17,565	**555,691**	-	-	-	-	**555,691**
Financial Services	777,261	425,903	-	493,728	**709,436**	-	-	-	-	**709,436**
Cemetry	80,106	-	-	-	**80,106**	-	-	-	-	**80,106**
Traffic	315,426	15,573	-	7,236	**323,763**	-	-	-	-	**323,763**
Civic Building	3,236,085	29,386	-	18,887	**3,246,584**	-	-	-	-	**3,246,584**
Fire Protection	6,737,861	-	-	-	**6,737,861**	-	-	-	-	**6,737,861**
Library	279,788	312,540	-	-	**592,328**	-	-	-	-	**592,328**
Boitumelong	3,554,206	-	-	204,767	**3,349,439**	-	-	-	-	**3,349,439**
Salamat	68,712	-	-	-	**68,712**	-	-	-	-	**68,712**
Swimming Pool	130,290	-	-	-	**130,290**	-	-	-	-	**130,290**
Coverdale	410,711	-	-	-	**410,711**	-	-	-	-	**410,711**
Parks and Recreation	193,625	-	-	-	**193,625**	-	-	-	-	**193,625**
Estates	1,162,083	-	-	-	**1,162,083**	-	-	-	-	**1,162,083**
Cleansing	421,175	99,238	-	-	**520,413**	-	-	-	-	**520,413**
Irrigation	88,197	-	-	-	**88,197**	-	-	-	-	**88,197**
Sewerage	5,656,369	544,242	-	-	**6,200,611**	-	-	-	-	**6,200,611**
Geluksoord	342,302	-	-	-	**342,302**	-	-	-	-	**342,302**
Housing Services	1,519,452	-	-	-	**1,519,452**	-	-	-	-	**1,519,452**
Electricity	6,245,264	1,415,659	-	-	**7,660,923**	-	-	-	-	**7,660,923**
Water	2,905,877	1,848,700	-	107	**4,754,470**	-	-	-	-	**4,754,470**
Municipal Manager	704,470	-	-	-	**704,470**	-	-	-	-	**704,470**
	47,124,061	**10,008,302**	**-**	**1,742,804**	**55,389,559**	**-**	**-**	**-**	**-**	**55,389,559**

Supplementary information

Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)

GOVERNMENT TEMPLATE: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

	Additions Rand	Under Construction Rand	Closing Balance Rand	Budget Rand	Variance Rand	Variance %	Explanation of Significant Variances greater than 8% versus Budget
Land/ Heritage	-	-	-	-	-	-	-
Buildings							
Land	-	-	-	-	-	-	
Buildings	-	-	-	-	-	-	
	-	-	-	-	-	-	-
Leasehold property	-	-	-	-	-	-	-
Plant and machinery	2,457,677	-	2,457,677	2,500,000	(42,323)	(2)	-
Furniture and fixtures	217,946	-	217,946	218,000	(54)	-	-
Motor vehicles	-	-	-	-	-	-	-
Office equipment	306,152	-	306,152	307,000	(848)	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Infrastructure	5,641,353	-	5,641,353	5,700,000	(58,647)	(1)	-

	Additions Rand	Under Construction Rand	Closing Balance Rand	Budget Rand	Variance Rand	Variance %	Explanation of Significant Variances greater than 8% versus Budget
Community	-	-	-	-	-	-	-
Other property, plant and equipment							
Landfill sites	-	-	-	-	-	-	
Office Equipment	-	-	-	-	-	-	
Furniture & Fittings	-	-	-	-	-	-	
Plant & Equipment	-	-	-	-	-	-	
Emergency Equipment	-	-	-	-	-	-	
Motor vehicles	-	-	-	-	-	-	
Fire engines	-	-	-	-	-	-	
Refuse tankers	-	-	-	-	-	-	
Computer equipment	-	-	-	-	-	-	
Councillors Regalia	-	-	-	-	-	-	
Conservancy tankers	-	-	-	-	-	-	
Watercraft	-	-	-	-	-	-	
Land	-	-	-	-	-	-	
Buildings	-	-	-	-	-	-	
	-	-	-	-	-	-	-
Total	8,623,128	-	8,623,128	8,725,000	(101,872)	(1)	-

Supplementary information

Appendix F: Disclosure of grants and subsidies in terms of the Municipal Finance Management Act

APPENDIX F for the ended 30 June 2010

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Aug	Oct	Dec	Mar	Jun	Aug	Oct	Dec	Mar	Jun	Yes/ No
Municipal Infrastructure Grant	COGTA	5,422,000	1,756,000	50,000	75,000	3,960,000	3,481,463	1,091,453	1,744,708	1,102,741	744,223	Yes
Municipal Systems Improvement Grant		735,000	-	-	-	-	264,363	-	428,456	-	42,181	Yes
Finance Municipal Grant		1,000,000	-	-	-	-	183,789	271,478	113,872	308,060	236,348	Yes
Equitable Share		7,149,816	-	5,719,853	4,863,485	-	-	-	-	-	-	Yes
Intergrated National Electricity Programme		-	-	-	3,260,185	-	-	-	-	1,333,185	-	Yes
		14,306,816	1,756,000	5,769,853	8,198,670	3,960,000	3,929,615	1,362,931	2,287,036	2,743,986	1,022,752	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Supplementary information

Appendix H: Directors remuneration

APPENDIX F for the ended 30 June 2010

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Aug	Oct	Dec	Mar	Jun	Aug	Oct	Dec	Mar	Jun	Yes/ No
Municipal Infrastructure Grant	COGTA	5,422,000	1,756,000	50,000	75,000	3,960,000	3,481,463	1,091,453	1,744,708	1,102,741	744,223	Yes
Municipal Systems Improvement Grant		735,000	-	-	-	-	264,363	-	428,456	-	42,181	Yes
Finance Municipal Grant		1,000,000	-	-	-	-	183,789	271,478	113,872	308,060	236,348	Yes
Equitable Share		7,149,816	-	5,719,853	4,863,485	-	-	-	-	-	-	Yes
Intergrated National Electricity Programme		-	-	-	3,260,185	-	-	-	-	1,333,185	-	Yes
		14,306,816	1,756,000	5,769,853	8,198,670	3,960,000	3,929,615	1,362,931	2,287,036	2,743,986	1,022,752	

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.